

April 27, 2012

To: Executive Board

Subject: **March Financial Statements and Investment Summary**

Recommendation

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2012.

Analysis

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the first nine months of the fiscal year ending June 30, 2012.

Foothill Transit's cash position of \$61.0 million is \$800,000 less than the previous month. This decrease of cash is the net change between the uses of cash and sources of cash. Uses of cash include a decrease in accounts payable of \$5.3 million and capital expenditures in excess of capital revenues. Sources of cash include a decrease in amounts due from other governments of \$3.9 million, a decrease in accounts receivable of \$360,000 and excess operating revenues over expenditures of \$420,000.

March 2012 fare revenues were \$1.57 million, which were \$61,000 more than February revenues and 6.56 percent more than the year-to-date budgeted amount. This is a continuation of the trend established in the prior fiscal year even though budgeted FY 2012 fare revenue estimates were approximately ten percent higher than FY 2011 levels. Ridership has remained relatively flat for more than a year, very similar to the economy. This continues to be good news, indicating the economy may be stabilizing with hopes of future improvements.

Operating costs through March were \$45.89 million, which is \$4.3 million less than the budget. These costs are \$1.0 million or 2.2 percent higher than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

Balance Sheet Analysis (Attachment A):

Assets

The balance sheet as March 31, 2012 shows total assets at \$225.6 million. This total consists primarily of \$154.7 million in fixed assets and \$60.9 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$21.7 million in non-interest bearing accounts held with Bank of the West; \$20.1 million in an interest bearing account with Bank of the West; \$5.2 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with

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Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of March 2012 was 0.383 percent; slightly less than the previous month's rate of 0.389 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates have continued a downward trend with small increases from time to time.

Liabilities

The accounts payable balance is \$4.2 million. \$2.0 million of this amount represents the amount due and payable to the contractors for February and March services. Other amounts payable include fuel costs of \$679,000, \$427,000 due Metro for stored value sales and \$50,000 for the Monrovia Dial-A-Ride.

Operating Revenue and Expense Analysis (Attachment C):

Fare Revenue

March 2012 fare revenue of \$1.57 million was 9.46 percent more than the monthly budgeted amount and \$61,000 more than the previous month. Average monthly revenues through March are \$1.5 million which is \$46,700 or 3.23 percent more than the prior year monthly average. March year-to-date revenues of \$13.7 million are 6.56 percent more than the budgeted amount and \$790,000 more than the prior fiscal year. These could be indicators that the economy is neither improving nor weakening, even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$40.2 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 5.16 percent more than planned for in the budget. The major factor contributing to this increase was Measure R funding. Foothill Transit has sufficient funds to meet all of its obligations.

Expenses

March year-to-date operating expenses were \$45.8 million, compared with the budget of \$50.3 million. This difference of approximately \$4.4 million resulted in an 8.9 percent favorable variance. The majority of this favorable variance is the result of \$1.4 million in

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lower than budgeted service cost and fuel cost savings of \$1.7 million, with the balance spread over several departments and not attributable to any one account. It should be noted that the March 2012 year-to-date expenses of \$45.9 million are \$1.0 million more than the prior fiscal year.

Farebox Recovery Ratio

The March 2012 year-to-date farebox recovery ratio was 29.28 percent; 3.32 percent more than the performance target of 25.96 percent. The farebox recovery ratio was derived by dividing the total fare revenue (adjusted for the EZ Transit Pass revenue) figure of \$13,437,964 by the total operating expense figure of \$45,890,911. This ratio has increased 0.01 percent from the February 2012 figure of 29.27 percent.

Sincerely,



Richard Hasenohrl
Director of Finance



Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of March 31, 2012

Assets

Current Assets:

| | |
|--|------------------------------|
| Cash | \$ 41,844,591 |
| Investments | 19,155,129 |
| Due from government agencies | 7,996,756 |
| Other receivables | 1,580,598 |
| Other assets | 255,895 |
| Total Current Assets | <u>70,832,969</u> |
| Property & Equipment (net of depreciation) | 154,718,939 |
| Total Assets | <u><u>\$ 225,551,908</u></u> |

Liabilities and Equity

Current Liabilities:

| | |
|--|-------------------|
| Accounts payable and accrued liabilities | \$ 4,219,175 |
| Current portion of long term debt | 1,000,000 |
| Deferred Revenue | <u>34,628,974</u> |
| Total Liabilities | <u>39,848,149</u> |

Equity

Investment in Fixed Assets (net):

| | |
|------------------------------|------------------------------|
| Fund Balance: | <u>185,703,758</u> |
| Total Equity | <u>185,703,758</u> |
| Total Liabilities and Equity | <u><u>\$ 225,551,908</u></u> |

Summary of Cash and
Investment Account
For March 31, 2012

| | Interest Rate | Term | Principal Amount/Book Value | Market Value |
|---|------------------|------------------|-----------------------------------|----------------------------|
| Cash: | | | | |
| Bank of the West-Reg. Checking | N/A | Demand Deposit | \$14,382,094 | \$14,382,094 |
| Petty Cash | N/A | N/A | 400 | 400 |
| Revolving Fund - Transit Stores | N/A | N/A | 1,500 | 1,500 |
| Bank of the West-Money Market | 0.150% | Demand Deposit | 10,020,177 | 10,020,177 |
| Bank of the West-Money Market | 0.250% | Demand Deposit | 4,505,290 | 4,505,290 |
| Bank of the West-Money Market | 0.250% | Demand Deposit | 4,902,552 | 4,902,552 |
| Bank of the West-Excise Tax | N/A | Demand Deposit | 7,374,259 | 7,374,259 |
| Bank of the West-CTAF ³ Fund | 0.750% | Demand Deposit | 658,318 | 658,318 |
| Subtotal Cash on Hand | | | <u>41,844,591</u> | <u>41,844,591</u> |
| Unrestricted Investments: | | | | |
| Chase Business Saving | 0.500% | Demand Deposit | 5,157,339 | 5,157,339 |
| Bank of the West-CDARS | N/A | Cert. of Deposit | 4,000,000 | 4,000,000 |
| Wells Fargo-CDARS | 0.175% | | 2,988,000 | 2,988,000 |
| Treasury Bills | | | 1,998,787 | 1,998,787 |
| LAIF Investment | 0.381% | Demand Deposit | 5,011,003 | 5,011,003 |
| Subtotal Unrestricted Investments | | | <u>19,155,129</u> | <u>19,155,129</u> |
| Total Cash and Investments | | | <u><u>\$60,999,719</u></u> | <u><u>\$60,999,719</u></u> |

Notes:

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit
Statement of Revenue and Expense
For Month Ended March 31, 2012

| | Actual March-12 | Budget March-12 | Variance Favorable (Unfavorable) | Actual March-11 |
|---|--------------------|--------------------|--|--------------------|
| Operating Revenue | | | | |
| Farebox | \$8,524,589 | \$8,789,700 | (3.02%) | \$8,073,023 |
| Pass Sales | 2,361,643 | 1,993,800 | 18.45% | 2,244,262 |
| TAP Cash Purse | 1,527,414 | 1,066,950 | 43.16% | 1,735,274 |
| MetroLink/Access Services | 59,231 | 19,875 | 198.02% | 22,845 |
| EZ Transit Pass | 1,307,086 | 1,061,550 | 23.13% | 910,914 |
| Total Operating Revenue | 13,779,964 | 12,931,875 | 6.56% | 12,986,318 |
| Non-Operating Revenue | | | | |
| FTA Sec 5307 Operating | 1,311,569 | | | 2,715,650 |
| FTA Sec 5307 ARRA | | | | 397,988 |
| Transportation Development Act (TDA) | 13,075,164 | 16,287,900 | (19.72%) | 10,526,883 |
| STA | 2,471,742 | 2,437,500 | 1.40% | 5,280,754 |
| Prop A 40% Discretionary | 10,060,662 | 9,000,000 | 11.79% | 9,555,589 |
| Prop A & C Interest | | | | (10,918) |
| Prop A 40% BSCP | 2,847,591 | 2,175,000 | 30.92% | 1,803,490 |
| Prop C Base Restructuring | 1,331,802 | 1,275,000 | 4.46% | 1,305,819 |
| Prop C BSIP | 620,050 | 608,250 | 1.94% | 607,950 |
| Prop C Transit Service Expansion | 221,934 | 217,500 | 2.04% | 217,602 |
| Transit Security-Operating | 463,248 | 450,000 | 2.94% | 407,820 |
| Measure R Operating | 6,584,508 | 4,717,500 | 39.58% | 5,558,004 |
| Excise Tax Credit | | | | |
| Gain on Sale of Fixed Assets | 3,154 | | | 105,429 |
| ARRA | | | | |
| Auxiliary Revenue | 1,278,556 | 1,125,000 | 13.65% | 1,196,533 |
| Total Non-Operating Revenue | 40,269,980 | 38,293,650 | 5.16% | 39,668,592 |
| Total Revenue | 54,049,944 | 51,225,525 | 5.51% | 52,654,910 |
| Available Capital Funding | | | | |
| Capital Grants | 14,439,622 | | | 14,848,704 |
| Other | | | | |
| Total Revenue and Capital Funding | 68,489,566 | 51,225,525 | | 67,503,614 |
| OPERATING EXPENSES | | | | |
| Operations | 38,571,698 | 42,129,525 | 8.44% | 38,146,775 |
| Marketing and Communications | 996,134 | 1,195,875 | 16.70% | 898,380 |
| Information Technology | 1,097,991 | 1,304,250 | 15.81% | 955,574 |
| Administration | 1,017,033 | 1,333,538 | 23.73% | 1,615,903 |
| Procurement | 671,785 | 478,388 | (40.43%) | |
| Sales and Service | 1,295,927 | 1,311,300 | 1.17% | 1,263,370 |
| Finance | 923,910 | 948,150 | 2.56% | 801,232 |
| Safety and Security | 490,640 | 602,250 | 18.53% | 488,419 |
| Planning | 375,586 | 514,950 | 27.06% | 433,289 |
| Building Management | 450,207 | 544,800 | 17.36% | 295,775 |
| Total Operating Expenses | 45,890,911 | 50,363,025 | 8.88% | 44,898,717 |
| Capital and Other Expenses | | | | |
| Capital | 14,648,188 | | N/A | 14,881,378 |
| Interest | | | N/A | |
| Dial-A-Ride | 481,902 | | N/A | 408,292 |
| Special Services | 131,384 | | N/A | 197,317 |
| Other Misc. expense | 99,694 | | N/A | 39,438 |
| Total Capital and Other Expenditures | 15,361,167 | | N/A | 15,526,425 |
| Increase (Decrease) of Revenues Over Expenditures | \$ 7,237,488 | | | \$ 7,078,472 |